



Chicago Climate Exchange

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September 20, 2007

Ms. Eileen A Donovan
Acting Secretary
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, N.W.
Washington, D.C. 20581

Re: Chicago Climate Futures Exchange, LLC
Submission No. 07-14

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Dear Ms. Donovan:

Pursuant to Section 5c(c)(1) of the Commodity Exchange Act, as amended (the "Act") and Parts 40.2 and 40.6 of the regulations promulgated by the Commodity Futures Trading Commission ("CFTC") under the Act, Chicago Climate Futures Exchange, LLC ("CCFE") hereby submits amendments to the CCFE Rulebook (the "Rulebook").

The Exchange is amending the Rulebook to add new Chapter 19 regarding contract specifications for CCFE's new Nitrogen Financial Instrument (Annual) ("NFI-Annual") futures contracts. These futures contracts will be listed for trading on the CCFE Trading Platform on September 21, 2007.

CCFE intends to make these amendments effective as of September 21, 2007. The Exchange certifies that these amendments neither violate nor are inconsistent with any portion of the Act or of the rules thereunder.

Attached hereto please find a copy of the new Chapter 19 and a summary of the Contract Specifications for NFI-Annual futures contracts as reflected in the amended Rulebook.

Should you require additional information regarding this submission, please contact me at 312.554.0812. Please reference our submission number 07-14 in any related correspondence.

Very truly yours,

[Handwritten signature]

Ann M. Cresce
Senior Vice President & General Counsel

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enc.

cc: Riva Adriance
Martin Murray
Gregory Price

www.chicagoclimateexchange.com

CHAPTER 19
NITROGEN FINANCIAL INSTRUMENT (ANNUAL)
FUTURES CONTRACT

1901. Scope of Chapter

This Chapter applies to trading in Nitrogen Financial Instrument (Annual) (“NFI-Annual”) futures contracts. The procedures for clearing, trading, settlement, and any other matters not specifically covered herein shall be governed by the generally applicable rules of the Exchange.

1902. Eligibility

Clearing Members and Trading Privilege Holders trading in NFI (Annual) futures contracts must open and maintain a CAIR (Clean Air Interstate Rule) Annual NO_x (Nitrogen Oxide) general account established with the U.S. Environmental Protection Agency (“EPA”) CAIR Annual NO_x Allowance Tracking System.

1903. Contract Specifications

(a) *Contract size.* The contract size for the NFI (Annual) futures contract is one (1) U.S. EPA CAIR Annual NO_x Emission Allowance under the U.S. EPA CAIR Annual NO_x Program equal to 1 ton of nitrous oxide.

(b) *Schedule.*

(i) Standard-cycle Contract Listing The Exchange may list for trading annual December contracts for years 2008 through 2012 for the NFI (Annual) futures contract.

(ii) CCFE may list any other calendar month contract off the standard-cycle listing schedule through the last annual December contract.

(iii) The trading hours for the NFI (Annual) futures contract shall be as determined by the Exchange from time to time.

(c) *Products.* Within any listed contract, the Exchange may offer one or more vintage-year specific product having different delivery specifications as follows:

- (i) Current Year Vintage (starting with 2009)
- (ii) 1-Year Deferred Vintage (through 2012)
- (iii) 2-Year Deferred Vintage (through 2012)
- (iv) 3-Year Deferred Vintage (through 2012)
- (v) 4-Year Deferred Vintage (through 2012)

(vi) Additional Deferred Vintages as determined by the Exchange

(d) *Termination of Trading (Contract Expiration).* The last day of trading of a contract is the third to the last business day of the expiration month at the normal Trading Session closing time.

(e) *New Contract Listing.* A new standard-cycle contract month will be listed on the next Business Day following a Contract Expiration.

(f) *Minimum Tick Increment.* The minimum tick increment of the NFI (Annual) futures contract is \$1.00 per ton, which is equal to \$1.00 per contract.

(g) *Reportable Position.* Pursuant to Commission Regulation §15.03 and Commission Regulation Part 17, the position level that is required to the Commission is any open position in NFI (Annual) futures products at the close of trading on any trading day equal to or in excess of 25 contracts on either side of the market.

If one contract month has a reportable position, all contract months' positions must be reported.

(h) *Position Limits.* A person may not own or control more than 5,000 contracts, equivalent to 5,000 CAIR Annual NOx Emission Allowances, net long or net short, in each nearby month expiring futures product.

For the purposes of this rule, the positions of all accounts for which a person directly or indirectly controls trading shall be included, as described in Rule 409(e).

The foregoing position limit shall not apply to bona fide hedge positions meeting the requirements of the Commission Regulation § 1.3(z)(1) and the Rules of the Exchange.

(i) *Contract Modifications.* Specifications are fixed as of the first day of trading of a contract. If any U.S. Government agency or body issues an order, ruling, directive or law that conflicts with the requirements of these rules, such order, ruling, directive or law shall construed to take precedence and become part of these rules, and all open and new contracts shall be subject to such government orders.

(j) *Daily Price Limits* NFI (Annual) futures contracts do not have daily price limits.

(k) *Exchange of Future for Physical.* There is no minimum size for an Exchange of Future for Physical transaction with respect to NFI (Annual) futures contracts. The Exchange of Future for Physical must meet all requirements of and must be reported to the Exchange in accordance with Rule 411.

(l) *Block Trades.* Pursuant to Rule 412(a)(i), the minimum Block Trade quantity for the NFI (Annual) futures contract shall be determined by the Exchange from time to time. If the Block Trade is executed as a spread or a combination, one leg must meet the minimum Block Trade quantity for the NFI (Annual) futures contract and the other legs(s) must have a contract size that is reasonably related to the leg meeting the minimum Block Trade quantity. The Block Trade must meet all requirements of and must be reported to the Exchange in accordance with Rule 412.

1904. Deliverable Instruments

U.S. Environmental Protection Agency (“EPA”) CAIR Annual NO_x Emission Allowances equal to the contract size. CAIR Annual NO_x Emission Allowances acceptable for delivery are allowances having the specified vintage corresponding to the specific vintage year or CAIR Annual NO_x Emissions Allowances having a vintage of any year prior to the specific vintage.

1905. Delivery Procedures

(a) *Delivery.* The delivery process consists of Position Day, Notice Day and Delivery Day occurring over three consecutive Business Days.

(i) *Position Day.* The seventh trading day prior to a NFI (Annual) futures contract’s expiration is the first day that Clearing Members must report their long futures positions by trade date to the Clearing Service Provider as of the close of business on the seventh trading day prior to expiration. Starting on the first Position Day, Clearing Members holding open short positions (hereafter referred to as “seller Clearing Member”) may submit delivery tender notices to the clearing Service Provider on their own behalf or on the behalf of their open short futures position holders, as applicable, in a format acceptable to the Clearing Service Provider. Upon receipt of a delivery tender notice, the Clearing Service Provider will make the appropriate delivery assignment.

(ii) *Notice Day.* On the Business Day after the delivery tender notice has been submitted and the delivery assignment has been made by the Clearing Service Provider, the seller Clearing Member must provide to the buyer Clearing Member(s) a description of the underlying EPA CAIR Annual NO_x Emission Allowances to be delivered. The buyer Clearing Member(s) must provide EPA CAIR Annual NO_x Allowance Tracking System (“NATS”) account information to the seller

Clearing Member. This information exchange must be completed by 4:00 p.m. (Central time) on Notice Day. The seller Clearing Member must ensure the appropriate emission allowances are on deposit in its or its customer's NATS account by 5:00 p.m. (Central time) on Notice Day.

(iii) *Delivery Day* On Delivery Day, the Clearing Service Provider shall issue payment instructions to the respective buyer Clearing Member(s) for the full contract value based upon the Position Day's settlement price in a means and manner prescribed by the Clearing Service Provider. By 3:00 p.m. (Central time) on the Delivery Day, the seller Clearing Member must ensure that it or its customer has electronically submitted the CAIR Annual NOx Emission Allowances transfer instructions via the EPA's Clean Air Market Division (CAMD) Business System. The seller Clearing Member must forward the EPA confirmation of transfer to the Clearing Service Provider as verification that the delivery has been completed.

(iv) *Payment* After receipt of the EPA confirmation of transfer from the seller Clearing Member, the Clearing Service Provider will release the delivery proceeds to the seller Clearing Member according to the following schedule:

EPA confirmation received by the Clearing Service Provider at or prior to 12:45 p.m. (Central time): same day in the Clearing Service Provider's mid-day variation cycle, if applicable.

EPA confirmation received by the Clearing Service Provider after 12:45 p.m. (Central time): next business day through the 6:40 a.m. (Central time) settlement cycle.

1906. Validity of Documents

The Exchange makes no representation regarding the authenticity, validity or accuracy of any delivery tender notice, description of underlying EPA CAIR Annual NOx Emission Allowance transfer instructions, EPA confirmation of transfer or other document or instrument delivered pursuant to these rules.



Chicago Climate Futures Exchange

**Chicago Climate Futures Exchange, LLC
Nitrogen Financial Instrument (Annual) Contract Specifications**

Contract Size	1 US EPA CAIR Annual NOx Emission Allowance
Quotation	US dollars
Minimum Tick Increment	\$1.00 per ton = \$1.00 per contract
Symbol	NFI-A
Trading Hours	7:00 a.m. – 3:00 p.m. Central Time
Delivery Months	Standard-cycle Up to 5 annual December contracts starting with the December 2008 contract. CCFE may list any other calendar month contract off the standard-cycle listing schedule through the last annual December contract.
Products	Within any listed contract, CCFE may offer one or more vintage-year specific products having different delivery specifications as follows: <ol style="list-style-type: none"> 1. Current Year Vintage 2. 1-Year Deferred Vintage 3. 2-Year Deferred Vintage 4. 3-Year Deferred Vintage 5. 4-Year Deferred Vintage 6. Additional Deferred Vintages as determined by CCFE
First Trading Day	The first trading day of a contract is the first business day following an expiration day.
Last Trading Day	The last trading day will be the third to last business day of the expiration month.
Deliverable Instruments	Environmental Protection Agency Clean Air Interstate Rule (“CAIR”) Annual NOx Emission Allowances equal to the contract size. The CAIR Annual NOx Emission Allowances acceptable for delivery are CAIR Annual NOx allowances having a vintage corresponding to the specified vintage of the product and CAIR Annual NOx allowances having a vintage of any year prior to the specified vintage.
Delivery Process	Clearing participants and trading parties must have CAIR Annual NOx Allowance Tracking System accounts established with the US EPA. The delivery process consists of Position Day, Notice Day and Delivery Day, occurring over three consecutive business days. <u>Position Day</u> The seventh trading day prior to expiration of a contract (expiration occurring after the close on the final trading day) is the first day that CCFE clearing members must report their long futures positions in the expiring contract. The long positions as of the close of business on the seventh trading day prior to expiration, must be reported by trade date to the CCFE Clearing Service Provider (“CCFE CSP”) in the time frame and format required by the CCFE CSP. Starting on the first Position Day, CCFE clearing members representing seller(s) may submit delivery tender notices to CCFE CSP on behalf of their short futures position holders, in a format acceptable to the CCFE CSP. <u>Notice Day</u> On the business day after the delivery tender notice has been submitted and the delivery assignment made by the CCFE CSP, the seller clearing member shall provide to the buyer clearing members a description of the underlying EPA CAIR Annual NOx Emission Allowances to be delivered. The buyer clearing members shall then provide

	<p>EPA CAIR Annual NOx Allowance Tracking System account information to the seller clearing member. Information exchange is to be completed by 4:00 p.m. Central Time. The seller clearing member must ensure the appropriate emission allowances are on deposit in its or its customer's EPA CAIR Annual NOx Allowance Tracking System account by the 5:00 p.m. Central Time.</p> <p><u>Delivery Day</u> The CCFE CSP will issue payment instructions to the respective buyer clearing member for the full contract value based upon the Position Day's settlement price in a means and manner prescribed by the CCFE CSP. By 3:00 p.m. Central Time, the seller clearing member must ensure that it or its customer has electronically submitted the allowance transfer instructions via the EPA's CAMD Business System. Seller clearing member must then forward the EPA confirmation to the CCFE CSP as verification that the delivery has been completed.</p> <p><u>Payment</u> The CCFE CSP will release the delivery proceeds to the seller clearing member after EPA confirmation is received by the CCFE CSP.</p>
Price Limits	No daily price limits
Reportable Position	25 contracts, equivalent to 25 allowances
Nearby Expiration Month Speculative Position Limits	5,000 contracts, equivalent to 5,000 allowances

Contract specifications and related rules are subject to revision. If CCFE determines that revisions to the contract specifications and related rules are warranted, reasonable efforts will be taken to provide appropriate advance notification of such revisions.

This document is a summary of the CCFE contract specification rules; see the CCFE Rulebook for complete contract specification rules.